

50X1

50X1

26 September 1957

REFER TO:
SERIAL No.

7891 50X1

This document is part of an integrated file. If separated from the file it must be subjected to individual systematic review.

*Are re-submitting
as this is unsatisfactory.*

50X1

DOCUMENT NO. 014
NO CHANGE IN CLASS. ☒ X 50X1
☐ DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: _____
AUTH: HR 70-2
DATE: 2 JUN 1980 REVIEWER: 006657

Attention:

Subject: Task Order "A" Supplement #4

Gentlemen:

1. In accordance with your request made during the telephone conversation of 19 September 1957 between [redacted] and your office, the contractor has prepared a cost analysis of the program since the receipt of Supplement No. 4, which compares the cost recorded to 15 September 1957 and an estimate to complete.

50X1

2. The contractor's original proposal dated 28 February 1957 was predicated on costs experienced on a similar unit and did not provide for the time spent on several ideas that were expected to be improvements and expected to be highly desirable for this configuration.

- (a) A considerable amount of engineering time and some shop time has been expended on a loading device which was believed would facilitate and speed up the loading of the dispenser. After a mock-up of the unit was made, it proved to be unsatisfactory and the idea was dropped.

*These letters 7600
para 4. Then
see financial data.
only spent 25%*

- (b) Because of the configuration of the aircraft, it was considered necessary to design special hoisting equipment to ease the problem of placing the dispenser in the bomb bay. Several approaches to this problem had been made before a satisfactory solution was achieved.

*Proposal 50X1
28 Feb. 57
69 37*

*TP 3 E. 50X1
proceed
for hoisting.*

26 September 1957

Page 2
Serial No. 7891

50X1

*to my recollection
it was agreed
these could be
done under the
funds allocated*

(c) The contractor also was desirous of incorporating certain mechanical improvements in the new units that had been found necessary by the flight tests at Eglin Air Force Base in the earlier units. The costs of these improvements were not anticipated at the time of the original proposal and are responsible to a major extent for this request for additional funds.

- (d) The contractor stated in the original proposal that the estimate for materials included the necessary paper for Preliminary and Flight tests, but the estimated amount of \$3,500.00 was inadvertently omitted from the cost breakdown.

3. The original proposal was presented using Engineering Burden, Shop Burden, and General and Administrative Expense rates set forth in the Basic Contract RD77 which were developed over our fiscal year, 1 June 1955 to 31 May 1956. These rates do not reflect true costs as experienced during the period that the contract was in progress. This has contributed considerably to our requirement for additional funds. The contractor's overhead rates have increased during the last fiscal year and currently are as follows:

Engineering Burden	94.11%
Shop Overhead	54.69%
General & Administrative Exp.	19.38%

These rates are, of course, subject to verification.

4. It is our understanding that changes in current regulations now provide that the Contracting Officer may accept as provisional rates for bidding and billing purposes the rates that are developed from the contractor's books of account and subject to audit. If this had been the practice in this case, we believe that the present lack of funds would have been minimized.

Important (5. The contractor is aware that the original proposal was underestimated both as to material and labor and the explanations presented herein are not intended to minimize this underestimation.

6. As shown on the enclosed Cost Analysis, it is estimated that a total of \$21,693.68 will be required to complete this project and it is recommended and requested that serious consideration

26 September 1957

Page 3
Serial No. 7891

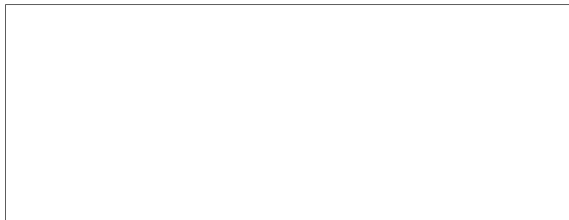
50X1

be given to issuing a contract supplement that will increase the total estimated costs by \$21,693.68 with no increase on Fixed Fee. This estimate does not include the costs of paper for the necessary testing, and in the event it is desired that we proceed with the tests, the estimated costs to complete will be increased by a total of \$4178.30.

6937
TP 4
provision

7. All work has been stopped on this program, but it can be completed within 90 days after receipt of authorization to proceed.

Very truly,



50X1

Enclosure: Cost Analysis
Task Order "A" Supplement #4

COST ANALYSIS
Task Order "A" Supplement #4

	Overhead Rates	Original Estimate	Recorded Costs Inception to 9/15/57	Overhead Rates	Estimate to Complete	Total
Material		6,600.00	2,514.20		6,000.00	8,514.20
Engineering Labor		2,962.00	6,553.92		3,000.00	9,553.92
Engineering Overhead	71.15%	2,107.00	5,863.46	94.0%	2,820.00	8,683.46
Shop Labor		3,069.00	203.08		5,000.00	5,203.08
Shop Overhead	75.0%	2,301.00	111.08	66.0%	3,300.00	3,411.08
Travel		1,400.00				
Telephone & Telegraph		50.00				
Insurance	3	300.00			300.00	300.00
Pack & Crate		800.00			800.00	800.00
Paper for Test		<u>19,589.00</u>	<u>15,245.74</u>		<u>21,220.00</u>	<u>36,465.74</u>
General & Administrative	13.44%	<u>2,633.00</u>	<u>3,337.50</u>	19.38%	<u>4,112.44</u>	<u>7,449.94</u>
TOTAL		22,222.00	18,592.24		25,332.44	43,915.68
						<u>22,222.00</u>
						<u>\$21,693.68</u>